

1 BEFORE THE STATE OF WASHINGTON
2 ENERGY FACILITY SITE EVALUATION COUNCIL
3

4 In the Matter of Application No. 2003-01: EXHIBIT 80-T (SG-T)
5 SAGEBRUSH POWER PARTNERS, LLC;
6 KITITAS VALLEY WIND POWER PROJECT
7

8
9 **ECONOMIC DEVELOPMENT GROUP OF KITITAS COUNTY**
10 **PEFILED DIRECT TESTIMONY**
11 **WITNESS #1: STEPHEN GROVER**
12

13
14 Q Please state your name and business address.

15
16 A My name is Stephen Grover and my business address is 888 SW 5th Avenue, Suite 1460,
17 Portland, OR 97204

18
19 Q What is your present occupation, profession; and what are your duties and responsibilities?

20
21 A I am employed by ECONorthwest as a senior economist and project manager. I have been
22 employed by ECONorthwest and worked in its Portland, OR office since March 2000.
23 ECONorthwest is an economics-consulting firm. We have completed numerous energy projects
24 and reports, including “Economic Impacts of Wind Power in Kittitas County” that was provided
25 to EFSEC in support of this application. We are also currently working with the State of

EXHIBIT 80-T (SG-T) 1
STEPHEN GROVER
PREFILED TESTIMONY

Economic Development Group of Kittitas County
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1 Washington Office of Community, Trade, and Economic Development (CTED) to develop a
2 guidebook for rural communities in Washington to estimate the potential economic impacts of
3 local wind projects.
4

5 Q Would you please identify what has been marked for identification as Exhibit 80-1 (SG-1).
6

7 A Exhibit 80-1 (SG-1) is a résumé of my educational background, expertise and project
8 experience.
9

10 Q Have you completed a study related to the Kittitas Valley Wind Power Project?
11

12 A Yes. I have completed a study titled “Economic Impacts of Wind Power in Kittitas County” for
13 which I was primarily responsible for the analysis and development. It is included with my
14 Testimony as Exhibit 80-2 (SG-2).

15 Q Did you prepare this study, or, if not, did you direct and /or supervise their preparation?
16

17 A Yes.
18

19 Q Is the information in this study within your area of authority and /or expertise?
20

21 A Yes
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23
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25

1 Q Are the contents of this study either based upon your own knowledge, or upon evidence,
2 such as studies and reports as reasonably prudent persons in your field and expertise are
3 accustomed to rely in the conduct of their affairs?
4

5 A Yes.
6

7 Q To the best of your knowledge, are the contents of this study true?
8

9 A Yes.
10

11 Q Do you incorporate the facts and content of this report as part of your testimony?
12

13 A Yes.
14

15 Q Are you able to answer questions under cross examination regarding this report?
16

17 A Yes
18

19 Q Do you sponsor the admission into evidence of this study that was a part of the Application?
20

21 A Yes
22

23 Q. Would you please briefly describe your expertise and qualifications?
24
25

1 A I have worked in the field of economics and energy for more than 10 years and I currently head
2 the energy practice area at ECONorthwest. Prior to that I worked at Quantum Consulting in
3 Berkeley, CA, a firm that specializes in energy efficiency program evaluation. Prior to that I
4 worked at Battelle Pacific Northwest Laboratories in Richland, WA where I researched a variety
5 of energy and environmental topics for the U.S. Department of Energy and the Environmental
6 Protection Agency. My expertise is in energy and quantifying the benefits of energy efficiency
7 improvements and renewable energy technologies. I have testified as an expert in trial in
8 Oregon and have been retained as an expert on several other matters that settled before trial. I
9 am also an adjunct professor at Portland State University where I have taught graduate courses
10 in econometric modeling and forecasting and in energy economics. I hold a Ph.D. in economics
11 from the University of Wisconsin-Madison.

12
13
14 Q Would you please summarize and briefly describe the study you conducted regarding the
15 potential economic benefits and property value impacts of the proposed wind farm in
16 Kittitas County.

17
18 A. As part of the planning process for these projects, the Phoenix Economic Development
19 Group (now known as the Economic Development Group of Kittitas County) hired
20 ECONorthwest in 2002 to evaluate the potential economic impacts of constructing and
21 operating wind power projects in Kittitas County. Our analysis was based on two
22 proposed wind projects with a combined total of 260 turbines and a potential generation
23 capacity of 390 megawatts. Specifically, ECONorthwest was asked to analyze and help
24 quantify impacts in three key areas of interest:

- 1
- 2 • **Property Values.** Some property owners have voiced concern that constructing
- 3 numerous wind turbines in the valley will detract from views and ultimately reduce
- 4 property values.
- 5
- 6 • **Economic Impacts.** The wind plants will create jobs and increase spending in the
- 7 economy during the construction phase and during plant operations.
- 8
- 9 • **Tax Revenues.** The increase in jobs and local spending will also increase tax revenues
- 10 for Kittitas County.
- 11

12 To research these issues, we utilized several different analysis techniques. We surveyed tax
13 assessors in other counties with operating wind projects to determine the potential effects of
14 wind farms on property values. We also conducted a review of the available academic
15 literature for additional information on property value effects. Local economic impacts were
16 estimated using an input-output model based on construction and operations data obtained
17 from the two companies proposing wind projects in Kittitas County, (Zilkha Renewable
18 Energy and ecXco). Tax revenues were estimated from the input-output model results based
19 on tax rate and spending information obtained from Kittitas County.

20 Our analysis resulted in the following key findings:

- 21 • *Views of wind turbines will not negatively impact property values.* Based on a nation-
22 wide survey conducted of tax assessors in other areas with wind power projects, and a
23 review of existing literature on the subject, we found no evidence supporting the
24 claim that views of wind farms decrease property values. As an upper limit on the

1 potential impact of wind turbines on property values, we also conducted a literature
2 review of the impacts of transmission wires, as there is a much more consistent
3 negative perception of transmission lines than with wind turbines. The literature
4 indicates that the negative effect on home values due to transmission lines is 10
5 percent or less, with this impact diminishing over time. Any impact from views of
6 wind turbines would certainly be lower as not all residents perceive wind turbines as
7 unattractive. As mentioned above, there is no evidence that views of wind turbines
8 have any negative impact on property values.

- 9
10 • *Wind plant construction will have significant economic benefits.* The construction
11 of 260 turbines will create approximately 185 full and part time jobs in Kittitas
12 County and will increase total income to the county by over \$12 million during
13 the construction period.
- 14
15 • *Wind plant operation will provide additional annual economic benefits.* The wind
16 farm operations will require 53 additional jobs and will increase income in the
17 county from salaries and operations expenses by over \$4 million annually.

18
19 Q Is there any additional information relating to this study that you wish to include with your
20 testimony?

21
22 A Yes. Since the original study was published in November 2002, additional information on the
23 tax implications of the Kittitas Valley Wind Power Project has been developed. The Economic
24 Development Group of Kittitas County has estimated the potential tax revenues resulting from

1 this project based on more detailed information on tax rates and property valuations for Kittitas
2 County. I have reviewed this analysis and as it utilizes more current information and provides
3 greater detail than we what we have in our original study, I am also including it as part of my
4 testimony.

5
6 Q Please briefly describe the results of this new analysis on the tax benefits.

7
8 A The new tax analysis uses the current tax rates for Kittitas County and local tax districts for
9 property taxes, county taxes, and various levies for schools, hospitals, fire, and roads. The total
10 value of the project is estimated to be \$200,000,000, which adds significantly to the total
11 assessed value of the property within these districts. Based on information from the Washington
12 State Department of Revenue, new construction is estimated to comprise 20 percent
13 (\$40,000,000) of the total project value. The new construction component is expected to be
14 considered real property for valuation and taxation purposes and therefore would be exempt
15 from Initiative 747 that limits tax revenue increases to 1 percent annually. The combined effect
16 of the various taxes is an estimated tax revenue of \$1,726,030 per year from the project. In
17 recent years, Kittitas County has held tax collections constant and has used any increases in
18 revenues to offset tax burdens of county residents – usually in the form of lower property taxes.
19 Assuming this trend continues, most of the estimated \$1,726,030 in potential tax revenue
20 generated by the project would be returned to county residents for tax relief and only that
21 portion associated with the new construction would be collected as new revenues for the county.
22 That is of the \$1,726,030 that could be collected, only \$353,272 would be collected as new
23 revenue while the remaining \$1,372,758 would be returned to taxpayers within the county
24 through reduced tax obligations.